

**CITY OF GEORGE
INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2013 THROUGH JUNE 30, 2014**

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CITY OF GEORGE

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gary Siebring	Mayor	Jan 2015
Kary Conaway	Council Member	Jan 2015
Gerald Grave, Jr.	Council Member	Jan 2017
Russ Hopp	Council Member	Jan 2017
Angie McConnell	Council Member	Jan 2015
Norm Riemersma	Council Member	Jan 2015
Laurie Koerselman	Clerk/Treasurer	Indefinite
Harold Dawson	Attorney	Indefinite



Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities and agreed to by the City Council of the City of George, Iowa. These procedures were solely to assist you with respect to the accounting records and administrative requirements of the City of George, Iowa for the year ended June 30, 2014. The City of George's management is responsible for the City's accounting and administrative records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specific in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and findings are summarized as follows:

1. We reviewed four City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa. We noted that during the February 12, 2014 council meeting, no roll call was taken in order to go into closed session nor was the specific exemption identified. See the detailed recommendations for additional information.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee. We noted there was an overall lack of adequate segregation of duties. See the detailed recommendations for additional information.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa. The surety bond coverage complied with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected two months of bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council. The months of November 2013 and June 2014 were properly reconciled and agreed to the general ledger and financial reports.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for. No exceptions were noted.

6. We reviewed the City's fiscal year 2014 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information. The 2014 AFR was completed but various lines of the report did not agree to the City's financial information. See the detailed recommendations for additional information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa. All investments complied with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa. All items complied with the previous mentioned chapters of the Code of Iowa.
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for. See the detailed recommendations for information on exception that was noted.
10. We reviewed the tax increment financing (TIF) transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa. All transfers met the reporting requirements and were accurately accounted for.
11. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa. No exceptions noted.
12. We reviewed and tested one month of receipts for accurate accounting and consistency with the CFC recommended chart of accounts. No exceptions noted.
13. We reviewed and tested 30 disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa. Two credit card payments selected did not include all supporting receipts. See the detailed recommendations for additional information.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting. No exceptions noted.
15. We reviewed and tested five payroll and related transactions for propriety, proper authorization and accurate accounting. No exceptions noted.
16. We reviewed the annual certified budget for proper authorization, certification and timely amendment. See the detailed recommendations for information on exception that was noted.

We were not engaged to and did not conduct an audit of the City of George, the objective of which is the expression of opinions on the City's accounting and administrative records. Accordingly, we do not express such an opinion. Had we performed additional procedures, or had we performed an audit of the City of George, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of George and other parties to whom the City of George may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of George during the course of our examination. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Spencer, Iowa
March 30, 2015

**CITY OF GEORGE
DETAILED RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2014**

- (A) City Council Minutes – The City Council went into closed session on February 12, 2014. The specific exemption under Chapter 21.5 of the Code of Iowa was not identified or documented as required nor was the session closed by affirmative roll call vote.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa.

- (B) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, the same individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparation and distribution.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparing and reconciling.
- (7) Journal entries – preparing and journalizing.

Criteria – The City is responsible for the establishment of adequate segregation of duties to help prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the City's financial statements.

Condition – The City has a small staff and accordingly has not been able to achieve full segregation of duties over all accounting transactions. Employees who handle cash receipts are also involved with the preparation of bank reconciliations and the posting of payments.

Effect – As a result of this condition, there is a higher risk that errors or irregularities could occur and not be detected within a timely period. Internal controls that are in place could be averted, overridden, or not consistently implemented.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

Response – The City feels that additional personnel would not be cost effective. However, management and the City Council will review procedures and investigate available alternatives based on the current employee on staff.

Conclusion – Response accepted.

**CITY OF GEORGE
DETAILED RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2014**

- (C) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public safety, public works and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (D) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Gary Siebring, Mayor, owner of Siebring Electric	Supplies	\$ 3,771
Norman Riemersma, Council Member, owner of Riemersma Construction	Contract Labor	\$ 1,082

In accordance with Chapter 362.5(k) of the Code of Iowa, the transactions with Siebring Electric may represent a conflict of interest since total transactions were more than \$2,500 during the fiscal year. The transactions with Riemersma Construction do not appear to represent a conflict of interest since the cumulative amounts were less than \$2,500 during the fiscal year.

- (E) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report contain a “summary for the preceding fiscal year of all collections and receipts, all accounts due to the City, and all expenditures...” The beginning and ending fund balances do not agree with the City’s records.

Recommendation – The City should ensure the future Annual Financial Reports agree with the City’s records.

- (F) Financial Condition – At June 30, 2014, the City had deficit balances in the Debt Service Fund, Capital Projects Fund, Insurance Fund, and Road Use Tax Fund.

Recommendation – The City investigate alternatives to eliminate these deficits to return the funds to sound financial positions.

- (G) Management Financial Information – The Clerk’s financial reports to the City Council included cash balances and year-to-date receipts and disbursement but did not included comparisons to the certified budget by function.

Recommendation – To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the Clerk’s monthly financial reports to the City Council should include comparisons to the certified budget by function.

**CITY OF GEORGE
DETAILED RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2014**

- (H) Unrecorded Investments – The City holds a certificate of deposit valued at \$77,398.62 which is not recorded in the City's accounting records or balances.

Recommendation – The City should develop procedures to ensure all investments, including certificated of deposit, are properly reflected in the accounting records.

- (I) Disbursements – Two credit card transactions tested were not supported by original receipts.

Recommendation – Purchases made with credit cards should be supported by original receipts and all original receipts should be reconciled to the statement monthly.

- (J) Bank Loan Agreement – On April 18, 2014, the City entered into a bank loan for \$50,000 for a street sweeper. However, the City did not comply with the provisions of Chapters 384.24A and 384.25 of the Code of Iowa which require certain authorization procedures to be followed.

Recommendation – The City should comply with the Code of Iowa requirements before entering into future loan agreements.